

## **EXHIBIT C-4**

### **LOCKBOX 720 PROCESSING SPECIFICATIONS**

#### **A. Overview.**

All authorized producers and service representatives pay a renewal fee to renew their license during their birth month. Producer and service representatives may also be subject for 30 days to an additional late fee, if license is not renewed in a timely manner.

There are approximately 63,000 producers and service representatives billed for their annual license renewal. This volume is expected to remain steady from year to year. An online renewal processing by credit card was instituted in June, 2003. The amount of returns processed by the lockbox may decrease significantly. The amount of fees collected in FY 2003 was approximately \$1.02 million, and the same or a small increase is anticipated in FY 2004. Producer and service representatives are instructed to either renewal on-line or mail their renewal forms, including all required documents and payment to the lockbox address. Many companies send their filings via courier express if they feel it will allow them to meet impending deadlines to avoid late fees or license cancellation. The Respondent must provide for both types of delivery; remittances must be quickly routed to proper lockbox processing assignment area. As the recipient of mail, the Respondent is responsible for returning all certified mail return cards to the originator. Return receipt cards should not be left attached to envelopes or included in items forwarded to the department.

#### **B. Processing Standards.**

The Bank shall:

1. Collect mail ... [same as in Exhibit C-1]
2. Process remittances ... [same as in Exhibit C-1]
3. Verify checks/application forms for the proper information:
  - a. Dollar amount [same as in Exhibit C-3]
  - b. Date: [same as in Exhibit C-3]
  - c. Acceptable payee [same as in Exhibit C-1]
  - d. Blank Payee [same as in Exhibit C-1]
  - e. No check enclosed [same as in Exhibit C-3]
  - f. Foreign Check [same as in Exhibit C-1]
  - g. Signature Missing [same as in Exhibit C-1]
  - h. Examination of Renewal Form:
    - (1) Verify the renewal period for this form has not expired. The renewal period is 75 days prior to the end of the applicant's birth month and a grace period of 30 days after the applicant's birth month, if a \$50.00 late fee is included with the renewal. The Producer License Renewal Form (Appendix A) has the date listed in the top right corner that an applicant can pay \$20.00 and renew. The time period that the applicant can pay \$70.00 (renewal + late fee) and renew his/her license is 30 days after the applicant's birth month. [See Reminder Notice (Appendix A)]. This

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period is denoted in item B of Section B of the Renewal Form or the upper right hand corner of the Reminder Notice and item C Section B of the Reminder Notice. Either form may be processed as long as the fees are correctly remitted. No payments may be accepted more than 30 days after the applicant's birth month – the license has expired!! If the renewal period has expired, fill out a Deficiency Slip (Appendix A) with code (n) marked and return the form, check and Deficiency Slip to applicant.

(2) If the license renewal period is valid, verify the proper fees are included. If the proper fees are not included, fill out a Deficiency Slip and check (b) if the late fee was not included. Return the form, check, and Deficiency Slip to the applicant. If no fees were included, fill out a Deficiency Slip and check (c). Return the form, check, and Deficiency Slip to the applicant. If an overpayment was submitted, fill out a Deficiency Slip with item (a) marked. Continue processing the form and go to step 3.

(3) Verify the Renewal Form is signed. If the Renewal Form is not signed, fill out a Deficiency Slip with item (f) marked. Return the form, check, and Deficiency Slip to the applicant. If the form is signed, continue processing and go to step 4.

(4) Verify questions 1-4 are checked on page 2.

- If questions 1-4 on page 2 are checked "YES", and an attachment is not provided, fill out a Deficiency Slip and check item (i). Return the form, check, and Deficiency Slip to the applicant.
- If questions 1-4 on page 2 are not checked, fill out a Deficiency Slip and check item (h). Return the form, check, and Deficiency Slip to the applicant.
- If questions 1-4 on page 2 are checked, continue processing and go to step 5.

(5) Verify one of the four squares to the right of question 5 is marked.

i. If the first square is marked, verify that Continuing Education Certificates are attached. If Continuing Education Certificates are not attached, fill out a Deficiency Slip with item (j) checked. Return the form, check, and Deficiency Slip to the applicant. If the certificates are attached, deposit the check.

ii. If the second square is marked, verify on page 1 that the applicant is not a resident of AL, NM, NY, or the District of Columbia. If the applicant is not a resident of AL, NM, NY, or the District of Columbia, deposit the check. If the non-resident's home state is NM, NY, or the District of Columbia, verify that a letter of certification is attached to the application. If a letter of certification is not attached, fill out a Deficiency Slip with item (k) marked. Return the form, check, and Deficiency Slip to the applicant. If the non-resident's home state is NM, NY, or the District of Columbia, and letter of certification is attached to the application, deposit the check.

iii. If the third square is marked, verify that an exemption code is circled. If an exemption code is not circled, fill out a Deficiency Slip with item (l) checked. Return the form, check, and Deficiency Slip to the applicant. If an exemption code is circled, deposit the check.

iv. If the fourth square is marked, verify that an extension code is circled and an explanation is attached. If an extension code is not circled, fill out a Deficiency Slip with item (m) checked. If a letter of explanation is not attached, fill out a Deficiency Slip with item (o) checked and write "no attachment for the extension." Return the form, check, and Deficiency Slip to the applicant. If an extension code is circled, and an attachment provided, send the form, check, and attachment to DOI for approval of the extension.

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4. Properly endorse and deposit all checks other than those treated as exceptions in a timely fashion as discussed in the above specifications and report in a file as outlined in Appendix B, File Layout 1. A listing of all deficiency slips prepared as outlined above should be transmitted in a file as outlined in Appendix B, File Layout 2.

5. Batch checks ... [same as in Exhibit C-1]

6. Capture all data listed in the Data Capture Summary (Appendix A) and include it in daily transmissions of transactions processed utilizing the format detailed in the Data Transmission Format and File Layout Summary (Appendix B).

NOTE: If only one check is received that covers multiple renewals, each renewal form must be **listed individually** and indicate an amount for each additional renewal form in the group. The check must equal the total amount of renewals.

7. Forward to the department at the address listed below all turnaround material via courier for delivery to the Department by 10:00 AM the next business day. This packet of material must include:

- Renewal forms
- Reports containing data captured from tax returns in accordance with Item 6 above.
- Lockbox edit listing
- Deposit ticket photocopies
- All items that cannot be processed (with explanations)
- Return deposit items (for any amount)
- In addition, this daily envelope will contain:
  - Miscellaneous exception items, such as envelopes that have unidentified checks or no checks at all. These exception items must be kept separate from the other material, but they may be in the same envelope.

NOTE: All items processed after the lockbox edit list and electronic file cutoff time must be included in the next day's deposit. Only items listed on the lockbox edit list and included in the electronic file will be batched and mailed to the department in the current day material envelope.

8. Notify the Department ... [same as in Exhibit C-3]

9. Process return checks ... [same as in Exhibit C-3]

10. Reconcile ... [same as in Exhibit C-3]

11. Provide reports and electronic file of all checks deposited by following steps (1) through (5) of Item h. above in accordance with the file layout shown in Appendix B.

DELIVER TO: Department of Insurance  
201 Monroe St, Suite 1700  
Montgomery, AL 36104

**APPENDIX A**

**Data capture summary**

Attached are copies of all renewal forms to be processed using lockbox services. The data that must be captured from each of these filings is highlighted green.

1. Producer License Renewal Form
2. Reminder Notice
3. Deficiency Notice

## **APPENDIX B**

### **Data Transmission Format and File Layout Summary**

The following transmission format and file layout must be used to transit all data captured.

*Note: Deviations from the below described transmission format and file layout are not permitted.*

#### **Transmission format**

A daily transmission must be made using one of the transmission methods listed below.

1. A secure File Transfer Protocol (FTP) to a Transmission Control Protocol (TCP) or Internet Protocol (IP)
2. Via twisted pair telephone line and modem utilizing some form of security software, e.g., Crosstalk 3.01

#### **File Layout 1, Box 720**

File: Fixed Record Length  
Data Type: Text

<u>Field Name</u>	<u>Character</u>	<u>Length of field</u>	<u>Format</u>
License Type	Numeric	1	
License Number	Alpha/numeric	7	
Last Name	Alpha	20	
First name	Alpha	16	
Middle Name	Alpha	16	
Suffix Name	Alpha	10	
SSN	Numeric	9	
Date of Birth	Date	6	mm/dd/yy
Received Date	Date	6	mm/dd/yy
License Fee	Numeric	3	Whole Dollars
Late fee	Numeric	3	Whole Dollars
Total fee	Numeric	3	Whole Dollars
Clean	Alpha	1	
Exemption Code	Alpha	1	
Process Date	Date	6	

#### **File Layout 2, Box 720**

File: Variable Record Length  
Data Type: Text  
Delimiter: Semi-colon

<b>Field Name</b>	<b>Data Type</b>	<b>Field Size</b>
Deficiency Slip Number	Text	5
Producer Number	Text	7
Producer Last Name	Text	25
Date Postmarked	Text	8
Amount	Text	10
Deficiency Code	Text	5
Receipted	Text	1
Date Deficiency Processed	Text	8